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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION- GENERAL EQUITY
ESSEX COUNTY

PETER C. HARVEY, Attorney General of New Jersey, on behalf of FRANKLIN L. WIDMANN, Chief of the New Jersey Bureau of Securities, Plaintiffs, v. ALLIANZ DRESDNER ASSET MANAGEMENT OF AMERICA L.P.; PA DISTRIBUTORS LLC f/k/a PIMCO ADVISORS DISTRIBUTORS LLC; PEA CAPITAL LLC f/k/a PIMCO EQUITY ADVISORS LLC; and PACIFIC INVESTMENT MANAGEMENT COMPANY LLC, Defendants.	Civil Action Docket No. C-54-04 **CONSENT ORDER AND FINAL JUDGMENT**

This matter having been presented to the Court upon the application of Plaintiffs, Peter Harvey, Attorney General of New Jersey, on behalf of Franklin L. Widmann, Chief of the New Jersey Bureau of Securities (Anna M. Lascurain and Victoria A. Manning, Deputy Attorneys General, appearing), pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. and defendants Allianz Dresdner Asset Management of America, L.P. ("ADAM"), PA Distributors LLC f/k/a Pimco Advisors Distributors LLC ("PAD"), PEA Capital LLC f/k/a Pimco Equity Advisors LLC ("PEA") and Pacific Investment Management Company LLC ("PIMCO") having appeared through counsel (Harvey J. Wolkoff, Esq. of Ropes Gray and Seth T. Taube, Esq. of McCarter & English, appearing), and defendants, ADAM, PAD and PEA, having consented to the form and entry of this order, and for good cause shown,

IT IS on this day of June, 2004,

ORDERED as follows:

1. A Stipulation of Dismissal with Prejudice as to defendant, PIMCO in the form attached as Exhibit A, will be filed with the Court contemporaneously with the Court's execution of this Consent Order and Final Judgment.

2. Plaintiffs make the following findings of fact and conclusions of law against defendants ADAM, PAD and PEA, which findings and conclusions are neither admitted nor denied by defendants ADAM, PAD and PEA:

(a) From 2001 to 2003, PEA engaged in a scheme with Canary Capital Partners, LLC and Canary Investment Management, LLC (collectively "Canary"), which benefitted ADAM, PEA, Canary and their intermediaries, at the expense of long-term mutual fund investors in PEA mutual funds.

(b) This scheme involved PEA's market timing arrangement with Brean Murray, Inc. ("Brean Murray"), a broker-dealer registered with the State of New Jersey, on behalf of Canary. The arrangement, at the outset, allowed Canary $100 million of timing capacity, in exchange for placing $25 million of long-term assets in a separate fund. As a result, Canary was permitted to make 48 "round trips" per year in each of the funds in which they invested, in excess of the fund's prospectus.

(c) PEA allowed Canary to make more round trips than any other investor in return for the prospect of substantial fees and other income for itself and its affiliates.

(d) In the little more than a year in which Canary market timed the PEA Funds, Canary made more than 200 market timing transactions and 100 round trips, totaling more than $4 billion in purchases and redemptions.

(e) Based on their market timing arrangements with Canary, PEA arranged for PAD and PAD's officers arranged for their market timing police to permit the transactions and make an exception for Canary's market timing, rather than stopping the transactions.

(f) In return for excessive market timing capacity in select PEA funds, Canary agreed to leave millions of dollars, or "sticky assets," in a separate PEA fund and a hedge fund on a long-term basis. These sticky assets were an additional inducement for PEA to allow market timing, because they assured a steady flow of compensation and fees to the adviser.

(g) Additionally, PEA disclosed to Brean Murray, on or about the first day of each succeeding month, the monthly non-public holdings of all of the funds in which Canary was investing. PEA's disclosure of the complete holdings of these funds gave Canary the opportunity to short the securities held by those funds, to the detriment of long-term shareholders.

(h) PEA's prospectuses created the misleading impression that they were vigilantly protecting other PEA investors against the negative effects of market timing. However, PEA officers sold the right to market time their funds to Canary, while the PEA prospectuses made no mention of the sticky asset arrangements with, or disclosure of the non-public fund holdings to, Canary.

(i) The executives and officers at PEA and PAD were aware of the damaging effect that market timers had on their funds. As a result of permitting market timing, PEA, ADAM and PAD, and Canary and their intermediaries, profited substantially at the expense of the long-term PEA fund investors.

(j) PEA: (a) entered into an undisclosed, sticky asset arrangement that allowed Canary to market time in excess of PEA's prospectus, (b) concealed and omitted material facts from its prospectus, (c) made materially false and misleading statements to investors relating to the market timing relationship with Canary, and (d) disclosed material, non-public holdings of the funds in which Canary was invested.

(k) All of the conduct set forth in this paragraph constitutes: (a) the employing of devices, schemes, or artifices to defraud, (b) the making of any untrue statements of material facts and/or omissions of material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person, in violation of N.J.S.A. 49:3-52 of the New Jersey Uniform Securities Law.

3. Pursuant to N.J.S.A. 49:3-70.1, defendants ADAM, PAD and PEA are assessed a civil monetary penalty of $15,000,000.00, and shall also pay $3,000,000.00 for investigative costs and further enforcement initiatives, a total sum of $18,000,000.00 (collectively, the "Settlement Funds"). Upon filing of this order with the Court, defendants ADAM, PAD, and PEA shall immediately deposit the Settlement Funds into defendants' counsel's interest-bearing trust account. The Settlement Funds, with all accrued interest, shall be payable to the "State of New Jersey, Bureau of Securities" at the direction of the Bureau of Securities and no later than 45 days following the execution of this agreement. The Settlement Funds shall be deposited in the Securities Enforcement Fund established pursuant to N.J.S.A. 49:3-66.1.

4. Defendants ADAM, PAD and PEA shall fully cooperate in good faith with plaintiffs in any investigation by plaintiffs of third parties related hereto. Such cooperation shall include, but is not limited to, voluntarily making employees available for interviews and/or testimony, producing business and other records within their possession, custody and/or control in a timely manner as requested by plaintiffs, and providing other non-privileged information obtained by each or all of said defendants in connection with their own investigation. All information provided by said defendants to plaintiffs shall be confidential to the extent permitted by

applicable law. Defendants shall bear the costs of producing documents, information and/or witnesses requested by either the Attorney General or the New Jersey Bureau of Securities.

5. Defendants ADAM, PAD and PEA shall implement the following corporate governance changes no later than June 30, 2004:

(a) ADAM shall separate the business management at PEA from the portfolio management function. To that end, the Chief Executive Officer of PEA shall have executive responsibility, but shall have no role in managing mutual fund assets;

(b) ADAM shall reorganize the legal and compliance structures, including market timing review, to further separate them from the sales and management functions. To that end, the legal personnel at PAD and PEA shall report to the General Counsel of ADAM, which shall address all legal issues to ensure the application of independent judgment to all issues. ADAM shall hire within a reasonable time frame within the legal and compliance departments, two additional attorneys and additional compliance personnel;

(c) The shareholder trading review for market timing activities shall be classified as a compliance duty rather than a business function. The personnel responsible for such review shall report to the legal department rather than the sales department. The General Counsel of ADAM or his designee will be fully empowered to insure that General Counsel or his designee's instructions on these matters are carried out, and will take appropriate steps to follow-up to insure that compliance with such instructions has, in fact, occurred. General Counsel of ADAM or his designee shall report periodically to the Board of Trustees of the PIMCO Funds: Multi-Manager Series (the "MMS Funds") with regard to any such instructions and follow-up;

(d) The current Chief Executive Officer of PAD, shall cease serving as the Chairman of the Board of the MMS Funds. The Chief Executive Officer shall submit his resignation as Chairman of the Board of Trustees of the MMS Funds at the next scheduled meeting of the Board in June 2004. ADAM shall recommend to the Trustees of the MMS Funds that the Board henceforth have an independent chairman, and a super-majority, defined as at least 75%, of independent Trustees on the Board of Trustees of the MMS Funds;

(e) PA Fund Management LLC ("PAFM"), the adviser to the MMS Funds, and PAD shall maintain separate and distinct Chief

Executive Officers. PAFM shall establish an advisory committee comprised of representatives of ADAM and its subsidiaries. The advisory committee shall provide guidance as to PAFM’s investment activities;

(f) ADAM shall cause an internal audit to be conducted annually for the next five successive years beginning December 2004 by such independent counsel as ADAM shall select, subject to plaintiffs’ prior written approval. The purpose of the audit shall be to review the implementation of redemption fees, fair valuation procedures and market timing surveillance. The report of the audit shall be provided simultaneously by independent counsel to the General Counsel of ADAM, the Chairman of the Board of Trustees of the MMS Funds, and the Chief Compliance Officer of the MMS Funds. The report of the audit shall be made available to plaintiffs at their written request.

(g) Any special future arrangements not performed in the ordinary course of business with clients of PEA, PAFM or PAD shall be in writing and subject to review and prior written approval of General Counsel of ADAM or his designee;

(h) Portfolio holdings of the MMS Funds shall not be disclosed to third parties unless such disclosure is in accordance with ADAM's written procedures, to be adopted and approved by General Counsel of ADAM or his designee, except as required by applicable law or regulation; and

(i) ADAM shall appoint an ombudsman who shall be designated to receive "whistleblower" complaints relating to the MMS Funds from employees of PAD, PAFM, PEA and/or ADAM. The ombudsman shall report any such complaints in writing directly to the Chief Executive Officer of ADAM and the Chief Compliance Officer of the MMS Funds.

6. PEA has previously reimbursed the MMS Funds $1,616,738.00 to the MMS Funds arising out of Canary's market timing activity.

7. The Superior Court of New Jersey, Chancery Division, retains jurisdiction to enforce the terms of this settlement. Any such enforcement action shall be brought in accordance with R. 1:6-3 of the New Jersey Rules of Court governing civil practice.

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Kenneth S. Levy, P.J. Ch.

The form, content, and entry of this
Consent Order and Final Judgment
is hereby consented to by:

PETER C. HARVEY

ATTORNEY GENERAL OF NEW JERSEY
Attorney for Plaintiffs

By: ___________________________
Anna M. Lascurain
Deputy Attorney General
Dated: _______________, 2004

By: ___________________________
Victoria A. Manning
Deputy Attorney General

Dated: _______________, 2004

The form, content, and entry of this Consent Order and Final Judgment is hereby consented to on behalf of defendants ADAM, PAD and PEA by:

ROPES & GRAY LLP
Attorneys for Defendants

By: _________________________
Harvey J. Wolkoff, Esq.
Dated: _______________, 2004

appearing through
MCCARTER & ENGLISH LLP
Attorneys for Defendants

By: _______________________________
Seth T. Taube, Esq.
Dated: ________________, 2004